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March 4, 2008

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

Dear Supervisors:

**DEPARTMENT OF PUBLIC WORKS:
LAC+USC MEDICAL CENTER REPLACEMENT PROJECT
APPROVAL OF CONSTRUCTION CHANGE ORDER RELATED TO WORK
PERFORMED BY
ELECTRICAL SUBCONTRACTOR
MCCARTHY/CLARK/HUNT, A JOINT VENTURE; CONTRACT PW-12641
SPECS. 6847; C.P. 70787
(FIRST DISTRICT) (4 VOTES)**

IT IS RECOMMENDED THAT YOUR BOARD:

Approve and authorize the Director of Public Works to execute the following change orders with McCarthy/Clark/Hunt, a Joint Venture to:

1. Resolve disputed issues relating to additional material, labor, and storage costs incurred by McCarthy/Clark/Hunt's electrical subcontractor, Sasco, during installation of the Central Plant conduits and associated seismic bracing in the amount of \$1,689,681.
2. Resolve various disputed and undisputed issues relating to work performed in the Central Plant, Outpatient, Diagnostic and Treatment and Inpatient buildings by McCarthy/Clark/Hunt's electrical subcontractor, Sasco, in the amount of \$1,220,538.

REASON AND SCOPE – RECOMMENDATION 1

Unforeseen condition	<input type="checkbox"/>	Regulatory agency requirement	<input type="checkbox"/>
Drawing coordination	<input type="checkbox"/>	Previously approved scope change	<input type="checkbox"/>
Contract supplement	<input type="checkbox"/>	Errors and omissions	<input checked="" type="checkbox"/>

The recommended \$1,689,681 change order is to resolve disputed claims associated with Sasco's installation of electrical conduits and associated seismic bracing in the Central Plant.

BACKGROUND

On July 18, 2006, your Board approved a \$2,850,000 change order with McCarthy/Clark/Hunt to upgrade utility bracing in the Central Plant of which \$350,000 was estimated for the seismic bracing of electrical conduits to be installed by Sasco. Further, the Board letter noted that the cost negotiations for this change order had not been finalized and should the change order exceed the cost estimate we would return to your Board for approval.

In January 2007, Sasco asserted that additional direct, indirect, and impact costs in the aggregate value of \$2,353,973 had been incurred related to installation of the seismic bracing at the Central Plant. Sasco claimed that during installation of bracing, various field conditions, such as encountering structural rebar or congestion of the working space, required modification of their work which required more material and labor hours than what was originally anticipated. Public Works has conducted extensive negotiations with McCarthy/Hunt/Clark and Sasco to evaluate the merit of this claim and an agreement has been reached, subject to your Board's approval, that this claim has merit in the amount of \$1,689,681. As part of the resolution, McCarthy/Clark/Hunt has agreed to provide an unconditional release of any claims for direct, indirect, and impact costs associated with any claim or change issues relating to Sasco work through the settlement date of March 4, 2008.

REASON AND SCOPE RECOMMENDATION 2

Unforeseen condition	<input type="checkbox"/>	Regulatory agency requirement	<input type="checkbox"/>
Drawing coordination	<input type="checkbox"/>	Previously approved scope change	<input checked="" type="checkbox"/>
Contract supplement	<input type="checkbox"/>	Errors and omissions	<input checked="" type="checkbox"/>

As part of previous negotiations, Public Works agreed with McCarthy/Clark/Hunt that it would be mutually beneficial to resolve all outstanding issues related to Sasco's scope of work at the Replacement Project. A total of 22 separate items are included in this change order, a majority of which could be approved through authority delegated to the Director of Public Works. However, it is more efficient to consolidate these issues into a comprehensive change order and include appropriate waiver and release language.

The aggregate amount of these 22 separate items totals \$1,740,739, resulting in a net amount of \$1,220,538 to be paid to McCarthy/Clark/Hunt after deduction of \$520,201 for four change orders previously approved by your Board as outlined below:

Settlement amount for the 22 items	\$ 1,740,739
Less	
Psychiatric Unit Conversion – Board approved on 4/11/06	\$ (170,000)
Fuel Oil Tank Modification – Board approved on 3/7/06	\$ (138,000)
Medical Gas Tanks Farm – Board approved on 2/6/08	\$ (154,000)
Final Site Wireless – Board approved on 10/11/05	\$ <u>(58,201)</u>
Subtotal	\$ <u>(520,201)</u>
Net amount of Change Order	\$ 1,220,538

The recommended changes resolve all remaining disputed issues with one of the largest subcontractors on the job.

Approval of these two change orders will not cause any delay to the project completion date. Public Works has issued seven proceed orders in the amount of \$1,040,000 under delegated Board authority, for this work to avoid delay impact and that amount is included in the recommended \$2,910,219 total cost.

We have reviewed the above recommendations, as well as the potential cost and schedule impacts with the Project Advisory Committee. These change orders are considered to be within the scope of the project and within the Board approved project budget of \$899,713,218. Sufficient appropriation is available in the 2007-08 Capital Projects/Refurbishments Final Budget – LAC+USC Medical Center Replacement Project (C.P. 70787) to fund the recommended actions.

The Honorable Board of Supervisors
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CONCLUSION

Upon approval of the recommendation, please forward an adopted, stamped copy of the Board letter to my office.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'W. T. Fujioka', with a stylized flourish at the end.

WILLIAM T FUJIOKA
Chief Executive Officer

WTJ:DLW:DL
JSE:DJT:DKM

c: County Counsel
Department of Public Works (Project Management Division I)
Department of Health Services
Project Advisory Committee